

GAO Highlights

Highlights of [GAO-19-623T](#), a testimony before the Committee on Small Business and Entrepreneurship, U.S. Senate

Why GAO Did This Study

Federal agencies conduct a variety of procurements that are reserved for small business participation through small business set-asides. These set-asides can be for small businesses in general, or they can be specific to small businesses that meet additional eligibility requirements in programs such as those for WOSB or HUBZone. SBA administers both the WOSB and HUBZone programs. SBA also produces an annual Small Business Procurement Scorecard to measure how much contracted spending federal agencies allocate to small businesses and whether the federal government is meeting its goals for awarding contracts to small businesses.

GAO issued three reports between September 2018 and March 2019 on SBA contracting programs (see [GAO-18-666](#), [GAO-18-672](#), and [GAO-19-168](#)). This testimony is primarily based on these three reports and discusses prior GAO findings and SBA's progress on implementing GAO's recommendations on (1) the WOSB program, (2) the HUBZone program, and (3) SBA's procurement scorecard.

To update the status of prior recommendations, GAO reviewed updates from SBA and interviewed officials.

View [GAO-19-623T](#). For more information, contact William B. Shear at (202) 512-8678 or shearw@gao.gov.

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SMALL BUSINESS ADMINISTRATION CONTRACTING PROGRAMS

Additional Efforts Needed to Implement GAO Recommendations

What GAO Found

The Small Business Administration (SBA) has not fully implemented GAO's prior recommendations to address oversight deficiencies in the Women-Owned Small Business (WOSB) and Historically Underutilized Business Zone (HUBZone) programs and to improve evaluation of its procurement scorecard. GAO maintains that its recommendations should be addressed.

Women-Owned Small Business Program. In its March 2019 report, GAO found that SBA had not addressed WOSB program oversight deficiencies identified in GAO's 2014 report ([GAO-15-54](#)). For example, GAO had found that SBA did not have procedures related to reviewing the performance of the four third-party certifiers—private entities approved by SBA to certify the eligibility of WOSB firms—as well as information the certifiers submitted to SBA. GAO recommended that SBA establish procedures to assess the performance of the certifiers and the information they submitted. While SBA conducted a compliance review of the certifiers in 2016, SBA said in June 2018 that it had no plans to conduct further compliance reviews until a final rule implementing a new certification process was completed. SBA officials said that they expected the rule to be implemented by June 2021. By waiting to improve its oversight of the WOSB program, SBA cannot provide reasonable assurance that certifiers are complying with program requirements and cannot improve its efforts to identify ineligible firms or potential fraud.

HUBZone Program. In September 2018, GAO reported that it had reviewed case files for a nongeneralizable sample of 12 firms in Puerto Rico that received HUBZone certification between March 2017 and March 2018 and found that SBA did not consistently document or follow its policies and procedures for certification reviews. For example, SBA did not have complete documentation in nine of 12 cases and did not follow its policy to conduct three levels of review when determining whether to approve or deny a firm in four of 12 cases. As a result, SBA did not have reasonable assurance that firms meet HUBZone criteria. SBA said that it planned to implement GAO's recommendations that SBA (1) update internal policy manuals for certification and recertification and (2) conduct and document reviews of staff compliance with relevant procedures. However, as of May 2019, SBA had not provided documentation showing that it had completed these planned actions.

Small Business Procurement Scorecard. For fiscal year 2017, SBA revised the methodology for its Small Business Procurement Scorecard, which assesses the efforts of federal agencies to support contracting with small businesses. For example, one revision reduced the share of the total scorecard grade devoted to prime contracting achievement (the dollar amount of contracts awarded directly to small businesses). GAO recommended in September 2018 that SBA design and implement a comprehensive evaluation to assess the scorecard revisions. Since that report was issued, SBA has proposed but not yet implemented a two-phase evaluation of the scorecard to include an evaluation of the scorecard's effect on federal agencies achieving small business contracting goals. SBA said that it expects to complete phase one by September 2019 and has not provided a time frame for phase two.